

# Legislative Audit Division

State of Montana



Report to the Legislature

September 2004

## Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 2004

## Department of Justice

This report contains four recommendations regarding:

- ▶ Law Enforcement Academy Surcharge Revenue Collections
- ▶ State and Community Highway Safety grant questioned costs
- ▶ Internal Service Fund fees not commensurate with costs
- ▶ Expenditure coding errors

Direct comments/inquiries to:  
Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena MT 59620-1705

04-19

Help eliminate fraud, waste, and abuse in state government. Call the Fraud Hotline at 1-800-222-4446 statewide or 444-4446 in Helena.

## FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Legislative Audit Division to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2005, will be issued by March 31, 2006. The Single Audit Report for the two fiscal years ended June 30, 2003, was issued on March 23, 2004. Copies of the Single Audit Report can be obtained by contacting:

Single Audit Coordinator  
Office of Budget and Program Planning  
State Capitol  
Helena MT 59620  
Phone (406) 444-3616

Legislative Audit Division  
Room 160, State Capitol  
PO Box 201705  
Helena MT 59620-1705

### MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

Senator John Cobb  
Senator Mike Cooney  
Senator Jim Elliott, Vice Chair  
Senator John Esp  
Senator Dan Harrington  
Senator Corey Stapleton

Representative Dee Brown  
Representative Tim Callahan  
Representative Hal Jacobson  
Representative John Musgrove  
Representative Jeff Pattison, Chair  
Representative Rick Ripley

# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
John W. Northey, Legal Counsel



Deputy Legislative Auditors:  
Jim Pellegrini, Performance Audit  
Tori Hunthausen, IS Audit & Operations  
James Gillett, Financial-Compliance Audit

September 2004

The Legislative Audit Committee  
of the Montana State Legislature:

This is our financial-compliance audit report for the Department of Justice (Department) for the two fiscal years ended June 30, 2004. Included in this report are four recommendations to the Department. The written responses to the audit recommendations are included at the end of the audit report. We thank the Attorney General and the Department staff for their cooperation and assistance during the audit.

Respectfully submitted,

*(Signature on File)*

James Gillett  
Deputy Legislative Auditor

# **Legislative Audit Division**

---

**Financial-Compliance Audit**

**For the Two Fiscal Years Ended June 30, 2004**

## **Department of Justice**

Members of the audit staff involved in this audit were: Pearl M. Allen, Chris G. Darragh, Jennifer Erdahl, Geralyn Hoffman, and Cindy S. Jorgenson.

## Table of Contents

Elected, Appointed and Administrative Officials .....	ii
Report Summary .....	S-1
<b>Introduction.....</b>	<b>1</b>
Introduction.....	1
Background.....	1
Settlements Handled by the Department .....	4
Natural Resource Damage Litigation Program.....	4
Tobacco Settlement .....	4
Prior Audit Recommendations.....	5
<b>Findings and Recommendations.....</b>	<b>7</b>
Montana Law Enforcement Academy (MLEA) Surcharge .....	7
Community Highway Safety Federal Grant Expenditures Not Pre-approved.....	8
Internal Service Fees.....	9
Accounting Errors.....	10
<b>Independent Auditor’s Report &amp; Department Financial Schedules .....</b>	<b>A-1</b>
Independent Auditor’s Report .....	A-3
Schedule of Changes in Fund Balances For the Fiscal Year Ended June 30, 2004 .....	A-5
Schedule of Changes in Fund Balances For the Fiscal Year Ended June 30, 2003 .....	A-6
Schedule of Total Revenues & Transfers-In For the Fiscal Year Ended June 30, 2004 .....	A-7
Schedule of Total Revenues & Transfers-In For the Fiscal Year Ended June 30, 2003 .....	A-8
Schedule of Total Expenditures & Transfers-Out For the Fiscal Year Ended June 30, 2004 .....	A-9
Schedule of Total Expenditures & Transfers-Out For the Fiscal Year Ended June 30, 2003 .....	A-10
Notes to the Financial Schedules .....	A-11
<b>Department Response .....</b>	<b>B-1</b>
Attorney General .....	B-3

## Elected, Appointed and Administrative Officials

---

### Department of Justice

Mike McGrath, Attorney General  
 Larry Fasbender, Deputy Director/Chief of Staff  
 Galen Hollenbaugh, Deputy Chief of Staff  
 Chris Tweeten, Chief Civil Counsel  
 John Connor, Chief Criminal Counsel

#### Division Administrators

Doug Booker, Central Services  
 Roland Mena, Crime Control  
 Steve Tesinsky, Information Technology Services  
 Bill Unger, Forensic Science  
 Colonel Paul K. Grimstad, Highway Patrol  
 Mike Batista, Criminal Investigation  
 Dean Roberts, Motor Vehicle  
 Gene Huntington, Gambling Control

### Montana Board of Crime Control

	<u>Representation</u>	Term Expires <u>January 14</u>
William Mercer, Chair	Federal Judicial System	2005
Janet Stevens, Vice Chair	Citizen-at-Large	2005
Elaine Allestad	Local Elected Officials	2005
Robert Brooks	Citizen-at-Large	2005
Clifford Brophy	Local Law Enforcement	2005
Alex Capdeville	Citizen-at-Large	2007
John Flynn	County Attorney	2005
Bob Jones	Local Law Enforcement	2005
Rick Kirn	Local Elected Officials	2007
Mike McGrath	Attorney General	2005
Steve Rice	Faith Based Organizations and Youth Justice Council	2007
Godfrey Saunders	Education System	2005
Bill Slaughter	Montana Corrections	2005
Mack Cole	General Public	2005
Dwight Mackay	General Public	2005
Jim Oppedahl	General Public	2005
Margaret Shea	General Public	2005
William Crismore	General Public	2007

## Elected, Appointed and Administrative Officials

---

### Youth Justice Council

	<u>Representation</u>	Term Expires <u>June 20</u>
Steve Rice, Chair	Faith Based Organizations	2005
Sally Stansberry	Private Providers	2005
Peggy Beltone	Local Government	2005
Shanna Bulik-Chism	Juvenile Detention	2005
Steve Gibson	Department of Corrections	2005
Tracy King	Native Americans	2005
Senator Jeff Managan	Montana Legislature	2005
Kathy Yother	Youth-at-Large	2005
Karen Billings	Montana Advocacy Program	2005
John Chappius	DPHHS	2005
Frances Combs	Ft. Peck Law Enforcement	2005
Michael Donahoe	Asst. Federal Defender	2005
Pedro Hernandez	Justice of the Peace	2005
Cathy Kendall	OPI	2005
Shae Saunders	Youth Representative	2005
Nancy Wikle	Department of Corrections	2005
Christine Gilbert	Youth Representative	2005
Beth McLaughlin	Supreme Court	2005
Joy Mzrisha	Juvenile Probation, Billings	2005
Leroy Bingham	MCI	2005
Joan Cassidy	DPHHS	2005
Kacky Stout	Youth Representative	2005

### **Department of Justice**

This report documents the results of our financial-compliance audit of the Department of Justice (Department) for the two fiscal years ended June 30, 2004. The previous audit report contained seven recommendations. Of these, six were implemented and one was partially implemented.

This report contains four recommendations. The issues discussed in this report include problems with the collection of the Montana Law Enforcement Academy (MLEA) surcharge, unallowable charges to the State and Community Highway Safety grant, Internal Service Fund fees not commensurate with costs, and expenditure coding errors.

We issued an unqualified opinion on the financial schedules contained in this report. This means the reader can rely on the presented financial information and the supporting data on the state's accounting records.

The listing below serves as a means of summarizing the recommendations contained in the report, the Department's response thereto, and a reference to the supporting comments.

#### Recommendation #1

We recommend the department:

- A. Work with the appropriate agencies and the counties to properly record the fiscal year 2004 MLEA Surcharge revenues.
- B. Provide training and guidance to the county treasurers and courts to ensure proper recording and transferring of MLEA revenues in the future.

## Report Summary

---

C. Contact the other 41 counties not tested to determine the proper MLEA Surcharge revenues were collected for fiscal year 2004..... 8

Agency Response: Concur. See page B-4.

### Recommendation #2

We recommend the Department ensure all State and Community Highway Safety grant expenditures are allowable per the grant agreement and federal regulations. .... 9

Agency Response: Concur. See page B-4.

### Recommendation #3

We recommend the Department continue to take measures to decrease the negative Internal Service Fund balance, and to ensure that fees are commensurate with costs as required by state law..... 10

Agency Response: Concur. See page B-4.

### Recommendation #4

We recommend the Department record expenditures according to state law. .... 11

Agency Response: Concur. See page B-4.

# Introduction

---

---

## Introduction

We performed a financial-compliance audit of the Department of Justice (Department) for the two fiscal years ended June 30, 2004. The objectives of the audit were to:

1. Determine if the Department complied with applicable state and federal laws and regulations.
2. Identify areas for improvement in the internal and management controls of the Department.
3. Determine if the Department's financial schedules present fairly, in accordance with state accounting policy, the results of its operations for the two fiscal years ended June 30, 2004.
4. Determine the implementation status of prior audit recommendations.

In accordance with section 5-13-307, MCA, we analyzed and disclosed the costs, if significant, of implementing the recommendations made in this report. Areas of concern deemed not to have a significant effect on the successful operations of the Department are not specifically included in this report, but have been discussed with management.

As required by section 17-8-101(6), MCA, we analyzed the rates charged and fund equity in the Department's Internal Service Fund. The Internal Service Fund contains the Agency Legal Services and Bankruptcy Unit operations. Our audit work indicates the rates are not commensurate with costs. (See recommendation #3 on page 10.)

---

## Background

The Attorney General, who is elected to serve a four-year term, heads the Department. The Department's primary functions are to provide effective statewide law enforcement, legal services, and improve public safety.

The Board of Crime Control (Board) is attached to the Department for administrative purposes. The Board is composed of 18 members appointed by the Governor and confirmed by the Senate. The Board's operations are presented in the Department's financial schedules as the Justice System Support Service Program.

## Introduction

---

The Youth Justice Advisory Council (Council) was established by Executive Order. The Council is responsible for administration and implementation of the federal Juvenile Justice and Delinquency Prevention Act of 1974. The Council also advises the Governor, the Board, and the Legislature on policy matters and legislation related to juvenile justice, juvenile delinquency, and compliance with federal regulations. The Council's operations are also presented in the Department's financial schedules as part of the Justice System Support System Program.

The Department's divisions are described below.

Legal Services (50 FTE) - provides legal research and analysis for the Attorney General; legal counsel for state government and state officials, bureaus, and boards; legal assistance to local governments; legal assistance, training, and support for county prosecutors; assistance through the office of victim compensation services and restorative justice; and legal advice and support for all state agencies. The Natural Resource Damage Litigation Program, which conducts litigation of claims arising from damages to natural resources in the Clark Fork River Basin between Butte and Milltown, operates in this division. Also included is the Bankruptcy/Collection Unit, which collects money due the state, with emphasis on bankruptcy cases.

Gambling Control (43.5 FTE) - licenses and regulates gambling activities and enforces gambling laws in the state of Montana. The division collects license fees, gambling taxes, and investigates applications and complaints relating to alcoholic beverage licensing.

Motor Vehicle (151.75 FTE) - administers vehicle registration and driver licensing. The Title and Registration Bureau in Deer Lodge is part of this division.

Highway Patrol (274.55 FTE) - enforces commercial vehicle regulations and general traffic laws, investigates accidents and auto thefts, inspects vehicles, and provides motorist assistance.

Criminal Investigation (77.5 FTE) - includes the administration, management, and coordination of criminal investigative services and training performed by the Investigations Bureau, the Narcotics Bureau, and the Law Enforcement Academy Bureau. Investigators conduct criminal investigations of homicide, fraud, robbery, assault, corruption, arson, organized crime, computer crime, dangerous drug activity, and other felony crimes.

Central Services (16 FTE) - provides centralized accounting, administrative, budgetary, personnel, payroll, and fiscal support for the Department. The division also oversees the County Attorney Payroll Program.

Information Technology Services (52 FTE) - provides a full range of services for the Department of Justice and the criminal justice community. The division maintains several statewide criminal justice systems, including the state criminal history records system and the state criminal justice information network, that link law enforcement agencies in Montana with various state, regional and national criminal justice databases. It also maintains several non-criminal justice computer systems, including the Vehicle Title and Registration System and the Driver Control System. The division provides project management for the Criminal Justice Information Services Project and the Motor Vehicle Information Technology System Project.

Forensic Sciences (25.5 FTE) - performs scientific analyses of evidence submitted by law enforcement officials, coroners, and state agencies and promotes forensic science training and scientific criminal investigations in the state and manages a statewide system of death investigations.

Justice Systems Support Services (18 FTE) - prepares and implements an annual plan for strengthening Montana's criminal and juvenile justice systems. The division provides support services to criminal justice agencies such as peace officer certification, data

## **Introduction**

---

collection, and research. The division is also responsible for the administration of various state and federal programs to help reduce crime and provide victim assistance and support.

---

### **Settlements Handled by the Department**

---

#### **Natural Resource Damage Litigation Program**

The Natural Resource Damage Litigation Program oversees the environmental restoration litigation in the Clark Fork River Basin. The litigation expenses were authorized by the legislature and funded with money loaned from the Coal Tax Trust Fund by the state's Board of Investments.

On June 26, 1998, the Department received \$15 million from ARCO for administrative, scientific, and legal costs associated with the litigation. In July 1999, the Department received an additional \$129 million settlement to be used for environmental restoration work. The state has an outstanding claim against ARCO for an additional \$200 million, which has not been resolved. The Natural Resource Damage Litigation Program administers environmental restoration contracts to assure the terms of the settlement are followed.

---

#### **Tobacco Settlement**

The state of Montana may receive an estimated \$920 million over 25 years as party to a settlement agreement with seven tobacco companies. The total amount of tobacco settlement funds available will be affected by a number of adjustments, including inflation and sales volume changes, contained in the master settlement agreement. In November 2000, Montana voters approved a referendum which requires 40 percent of the settlement money received on or after January 1, 2001, to be placed in a trust fund to pay expenses of tobacco use prevention programs as a means to reduce health care costs. The remaining 60 percent is deposited in the General Fund. The state of Montana received settlement payments totaling \$31,166,018 in fiscal year 2002-03. The Department deposited \$18,699,611 of tobacco settlement receipts in the General Fund and the remaining \$12,466,407 was deposited in the Tobacco Settlement Trust Fund.

In November 2002, Montana voters approved a referendum modifying the allocation of the Tobacco Settlement funds. Chapter 608, Laws of 2003, will temporarily modify the restrictions placed on the use of the Tobacco Settlement funds through the November 2002 referendum. Between July 1, 2003, and June 30, 2005, the funds are to be distributed as follows:

- ▶ 40 percent is to be placed in the Tobacco Settlement trust fund.
- ▶ 32 percent in the State Special Revenue Fund for a Statewide Tobacco Prevention Program, the Tobacco Prevention Advisory Board, and human services programs.
- ▶ 17 percent in the State Special Revenue Fund as matching funds for the Children's Health Insurance Program to fund programs of the comprehensive health association, and to match the Medicaid program.
- ▶ 11 percent to the General Fund.

---

### **Prior Audit Recommendations**

Our office performed the Department's financial-compliance audit for the two fiscal years ended June 30, 2002. The report contained seven recommendations. The Department implemented six recommendations and partially implemented one.

The recommendation, partially implemented recommended the Department work with the Office of Budget and Program Planning (OBPP) to ensure three positions are paid by the appropriate funding source. In March of fiscal year 2004, the Department worked with OBPP to ensure all three positions were being funded appropriately. The Department temporarily fixed the problem by transferring personal services expenditures into the appropriate fund in fiscal year 2004. The permanent solution will not take effect until fiscal year 2006. Since the Department has addressed the prior recommendation we do not make any further recommendation to the Department at this time.



# Findings and Recommendations

---

---

## Montana Law Enforcement Academy (MLEA) Surcharge

### **Court and County misunderstanding of the Montana Law Enforcement Academy (MLEA) Surcharge results in incomplete revenue collections.**

Effective July 1, 2003, section 3-1-318, MCA, requires a surcharge of \$10 be imposed on defendants convicted of criminal conduct in courts of limited jurisdiction, except small claims courts, to be deposited in the State Special Revenue Fund. The county treasurers are required to submit the total surcharge revenues to the Department of Revenue via the county collection report on a monthly basis. The county collection report provides for separate identification of these funds. At the request of the Department, we contacted 15 counties regarding the collection and transfer of the surcharge. As a result of our review we found discrepancies between court, county, and state records. The following is a summary of our findings.

- ▶ Eight counties properly recorded and transferred the surcharge on a monthly basis.
- ▶ One county coded the MLEA surcharge as Judicial Technology Surcharge revenues on the county collection report, resulting in \$45,430 being recorded on the accounting records of the Judicial Branch.
- ▶ Within one county, a city court was collecting the surcharge but through an oversight did not transfer surcharge revenues of \$29,811 to the county. This court transferred the amount to the county treasurer after fiscal year-end. In addition, the county treasurer improperly coded the surcharge revenue of \$210 remitted by another city court as the Judicial Technology Surcharge.
- ▶ A coding error on the county collection report made by one county Treasurers' office resulted in \$19, 918 being transferred to the Fish, Wildlife and Parks Underwater Diver Fine Account rather than the MLEA surcharge.
- ▶ Two counties coded the MLEA surcharge revenues as JP Fines & Forfeits on the county collection report resulting in \$2,470 in surcharge revenues being deposited in the state General Fund. One of the counties properly transferred 100 percent of the surcharge to the state on the JP Fines and Forfeits line. The

## Findings and Recommendations

---

other county was depositing the surcharge into their JP Fines & Forfeits account and then transferring 50 percent of the account balance to the state, which is allowable for the JP Fines & Forfeits.

- ▶ Two counties did not receive MLEA revenues from courts in the county. One city court did not collect the surcharge during fiscal year 2004. Two other courts in the counties were collecting the surcharge but recording it under the Judicial Technology Surcharge. The total for the amount that should have been collected and transferred by the courts for the fiscal year totaled approximately \$100 in these two counties.

Based on our review of the fifteen counties, we estimate that the revenues that were not properly transferred to the MLEA Surcharge account during fiscal year 2003-04 were approximately \$100,000 for the 15 counties tested.

### **Recommendation #1**

**We recommend the department:**

- A. Work with the appropriate agencies and the counties to properly record the fiscal year 2004 MLEA Surcharge revenues.**
- B. Provide training and guidance to the county treasurers and courts to ensure proper recording and transferring of MLEA revenues in the future.**
- C. Contact the other 41 counties not tested to determine the proper MLEA Surcharge revenues were collected for fiscal year 2004.**

---

### **Community Highway Safety Federal Grant Expenditures Not Pre-approved**

**Subgrant from Montana Department of Transportation has unallowable charges.**

The Montana Department of Transportation subgranted a portion of the State and Community Highway Safety federal grant to the Department's Highway Patrol Division (MHP). The State and Community Highway Safety grant is to provide a coordinated national highway safety program to reduce traffic accidents, deaths,

## Findings and Recommendations

---

injuries, and property damage. MHP was responsible for purchasing equipment and expending the grant funds on behalf of the Mobile Data Communications System Task Force, a non-state entity. Under federal regulations, in order to purchase equipment with a useful life of more than 1 year and an acquisition cost of \$5,000, prior written approval must be obtained from the approving federal official. In addition, federal regulations state that construction or reconstruction of permanent facilities is not an allowable activity. Neither the Department of Transportation nor the Department of Justice, Highway Patrol Division, obtained approval for grant expenditures totaling \$214,584 for the construction of towers and \$1,392,098 in equipment purchases charged to the grant in fiscal year 2003-04. We question \$1,606,682 of costs charged to the State and Community Highway Safety grant.

### **Recommendation #2**

**We recommend the Department ensure all State and Community Highway Safety grant expenditures are allowable per the grant agreement and federal regulations.**

---

### **Internal Service Fees**

#### **Internal Service Fund rates not commensurate with costs.**

The Department's Agency Legal Services Bureau (ALS) and Bankruptcy Unit operate as an Internal Service Fund. ALS provides requested legal services to state agencies and the Bankruptcy Unit collects money due the state from bankruptcy cases. These operations historically were recorded in separate internal service funds, but were combined into one Internal Service Fund during fiscal year 2002-03. The Department has been unable to maintain fees commensurate with costs in the Agency Legal Services and Bankruptcy Internal Service Fund since fiscal year 1996-97.

Department management requested, and the 2001 Legislature approved, an increase in fees for ALS. This increase in fees allowed ALS to continue to collect revenues in excess of expenditures during

## Findings and Recommendations

---

fiscal year 2001-02 resulting in a reduced negative fund balance of \$2,146 at the end of fiscal year 2002.

The Bankruptcy Unit, however, was unable to generate revenue sufficient to cover its costs during the same period. Department personnel indicated this is primarily due to insufficient caseloads and anticipated a larger negative ending fund balance by June 30, 2003, which resulted in a disclosure issue in the last audit report. As anticipated, the ending fund balance in fiscal year 2002-03 was a negative \$82,073 and a negative \$86,293 in fiscal year 2003-04.

Section 17-8-101, MCA, requires fees for the Internal Service Fund to be commensurate with the cost of providing services. A large negative ending fund balance over time indicates that the fees are not commensurate with the costs of providing the service.

### **Recommendation #3**

**We recommend the Department continue to take measures to decrease the negative Internal Service Fund balance and to ensure that fees are commensurate with costs, as required by state law.**

---

### Accounting Errors

**The Department and the Board improperly recorded some expenditures relating to grants, local assistance, and carry forward funds.**

Section 17-1-102 (4), MCA, requires by the end of the fiscal year the financial records of the state to accurately reflect the department's revenue, expenditures, and financial position in accordance with generally accepted accounting principles. We found three instances where the Department or the Board is not in compliance with State law.

- ▶ The Board of Crime Control recorded state grants totaling \$934,336 and \$896,369 in fiscal year 2002-03 and 2003-04, respectively as federal grants. This resulted in Grants from

## Findings and Recommendations

---

Federal Sources being overstated and Grants from State Sources being understated in both fiscal years.

- ▶ In fiscal year 2002-03, the Department received a federal grant and passed it through to local entities. They coded the pass through funds to Local Assistance from State Sources rather than from federal sources. This resulted in Local Assistance from State Sources being overstated by \$99,531 and Local Assistance from Federal Sources being understated by the same amount.
- ▶ In fiscal year 2002-03 and 2003-04 the Department received a federal grant from the Department of Transportation. The Department coded the grant as a pass through to local assistance rather than a federal grant. This resulted in Local Assistance being overstated by \$3,261,443 in fiscal year 2002-03 and \$512,776 in fiscal year 2003-04. Grants from Federal Sources were understated by the same amounts in each fiscal year.
- ▶ The Department recorded expenditures relating to carry forward funds to the Central Services Division regardless of which program the expenditures benefited. As a result, the Central Services Division expenditures were overstated by \$626,089 in fiscal year 2002-03 and by \$384,034 in fiscal year 2003-04. Expenditures were understated in several different divisions totaling the same amounts.

### **Recommendation #4**

**We recommend the Department record expenditures according to state law.**

**Independent Auditor's Report &  
Department Financial Schedules**

---



# LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor  
John W. Northey, Legal Counsel



Deputy Legislative Auditors:  
Jim Pellegrini, Performance Audit  
Tori Hunthausen, IS Audit & Operations  
James Gillett, Financial-Compliance Audit

## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the accompanying Schedule of Changes in Fund Balances, Schedule of Changes in Fund Balance and Property Held in Trust, Schedules of Total Revenues & Transfers-In, and Schedules of Total Expenditures & Transfers-Out of the Department of Justice (Department) for each of the fiscal years ended June 30, 2004, and 2003. The information contained in these financial schedules is the responsibility of the Department's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The schedules are not intended to be a complete presentation and disclosure of the Department's assets, liabilities and cash flows.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Department of Justice for each of the fiscal years ended June 30, 2003, and 2004, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

*(Signature on File)*

James Gillett, CPA  
Deputy Legislative Auditor

August 13, 2004



DEPARTMENT OF JUSTICE  
SCHEDULE OF CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Federal Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
FUND BALANCE: July 1, 2003	\$ 17,647,417	\$ 167,964,516	\$ (44,731)	\$ (14,290)	\$ (124,348)	\$ (82,073)
<b>ADDITIONS</b>						
Budgeted Revenues & Transfers-In	173,470,838	12,385,029	15,173,894		4,289	1,145,769
Nonbudgeted Revenues & Transfers-In	148,599	2,755,619	42,666	2,835,385	183	218
Prior Year Revenues & Transfers-In Adjustments	631,782	70,492	1,492		800	
Direct Entries to Fund Balance	<u>(152,480,706)</u>	<u>20,088,822</u>	<u>666,354</u>		<u>782,746</u>	
Total Additions	<u>21,770,514</u>	<u>35,299,962</u>	<u>15,884,406</u>	<u>2,835,385</u>	<u>788,018</u>	<u>1,145,987</u>
<b>REDUCTIONS</b>						
Budgeted Expenditures & Transfers-Out	20,338,573	30,834,623	15,765,223	2,442,732	787,859	1,146,989
Nonbudgeted Expenditures & Transfers-Out	143,623	5,699,077	44,681		98,531	143,920
Prior Year Expenditures & Transfers-Out Adjustments	94,324	10,245	1,758		(66,033)	(140,701)
Total Reductions	<u>20,576,520</u>	<u>36,543,945</u>	<u>15,811,662</u>	<u>2,442,732</u>	<u>820,357</u>	<u>1,150,208</u>
FUND BALANCE: June 30, 2004	<u>\$ 18,841,410</u>	<u>\$ 166,720,533</u>	<u>\$ 28,013</u>	<u>\$ 378,363</u>	<u>\$ (156,687)</u>	<u>\$ (86,294)</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF JUSTICE  
SCHEDULE OF CHANGES IN FUND BALANCES & PROPERTY HELD IN TRUST  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Federal Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Agency Fund</u>
FUND BALANCE: July 1, 2002	\$ <u>17,355,974</u>	\$ <u>155,451,487</u>	\$ <u>174,877</u>	\$ <u>96,007</u>	\$ <u>(108,548)</u>	\$ <u>(2,147)</u>	
PROPERTY HELD IN TRUST: July 1, 2002							\$ <u>0</u>
<b>ADDITIONS</b>							
Budgeted Revenues & Transfers-In	173,437,600	7,100,415	17,156,847	891,764	(800)	1,162,837	
NonBudgeted Revenues & Transfers-In	2,604	21,373,907	7,033		175	87	
Prior Year Revenues & Transfers-In Adjustments	(1,064,860)	14,319	57,713			469	
Direct Entries to Fund Balance	(154,759,043)	21,376,592	(5,555)		714,542		
Additions to Property Held in Trust							<u>3,184</u>
Total Additions	<u>17,616,301</u>	<u>49,865,233</u>	<u>17,216,038</u>	<u>891,764</u>	<u>713,917</u>	<u>1,163,393</u>	<u>3,184</u>
<b>REDUCTIONS</b>							
Budgeted Expenditures & Transfers-Out	17,803,488	31,457,307	17,430,109	1,002,061	733,995	1,234,646	
NonBudgeted Expenditures & Transfers-Out	37,085	5,755,931	5,964		66,033	150,680	
Prior Year Expenditures & Transfers-Out Adjustments	(515,715)	138,966	(427)		(70,311)	(142,007)	
Reductions in Property Held in Trust							<u>3,184</u>
Total Reductions	<u>17,324,858</u>	<u>37,352,204</u>	<u>17,435,646</u>	<u>1,002,061</u>	<u>729,717</u>	<u>1,243,319</u>	<u>3,184</u>
FUND BALANCE: June 30, 2003	\$ <u>17,647,417</u>	\$ <u>167,964,516</u>	\$ <u>(44,731)</u>	\$ <u>(14,290)</u>	\$ <u>(124,348)</u>	\$ <u>(82,073)</u>	
PROPERTY HELD IN TRUST: June 30, 2003							\$ <u>0</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF JUSTICE  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Federal Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Total</u>
<b>TOTAL REVENUES &amp; TRANSFERS-IN BY CLASS</b>							
Licenses and Permits	\$ 117,205,147	\$ 9,680,071			\$ 800		\$ 126,886,018
Taxes	50,735,972	23,361	\$ 2,067		183	\$ 36	50,761,619
Charges for Services	2,501,821	2,002,370			4,289	1,145,768	5,654,248
Investment Earnings		2,652,838	7,594				2,660,432
Fines, Forfeits and Settlements	3,096,719	543,609					3,640,328
Sale of Documents, Merchandise and Property	298,492						298,492
Miscellaneous	172,821	100,086				183	273,090
Other Financing Sources	148,874	208,805	40,855	\$ 2,835,385			3,233,919
Federal			15,085,595				15,085,595
Federal Indirect Cost Recoveries	91,373		81,941				173,314
Total Revenues & Transfers-In	<u>174,251,219</u>	<u>15,211,140</u>	<u>15,218,052</u>	<u>2,835,385</u>	<u>5,272</u>	<u>1,145,987</u>	<u>208,667,055</u>
Less: Nonbudgeted Revenues & Transfers-In	148,599	2,755,619	42,666	2,835,385	183	218	5,782,670
Prior Year Revenues & Transfers-In Adjustments	631,782	70,492	1,492		800		704,566
Actual Budgeted Revenues & Transfers-In	<u>173,470,838</u>	<u>12,385,029</u>	<u>15,173,894</u>	<u>0</u>	<u>4,289</u>	<u>1,145,769</u>	<u>202,179,819</u>
Estimated Revenues & Transfers-In	<u>160,143,665</u>	<u>9,762,129</u>	<u>16,093,312</u>	<u>5,200,000</u>	<u>2,000</u>	<u>1,150,001</u>	<u>192,351,107</u>
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 13,327,173</u>	<u>\$ 2,622,900</u>	<u>\$ (919,418)</u>	<u>\$ (5,200,000)</u>	<u>\$ 2,289</u>	<u>\$ (4,232)</u>	<u>\$ 9,828,712</u>
<b>BUDGETED REVENUES &amp; TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS</b>							
Licenses and Permits	\$ 3,122,996	\$ 2,076,578			\$ (1,000)		\$ 5,198,574
Taxes	5,463,674	(5,080)					5,458,594
Charges for Services	1,545,355	448,657	\$ (6,000)		3,289	\$ (4,232)	1,987,069
Investment Earnings			(17,406)				(17,406)
Fines, Forfeits and Settlements	2,962,409	74,114					3,036,523
Sale of Documents, Merchandise and Property	42,250						42,250
Miscellaneous	168,261	(9,882)					158,379
Other Financing Sources	(14,064)	38,513		\$ (5,200,000)			(5,175,551)
Federal			(932,952)				(932,952)
Federal Indirect Cost Recoveries	36,292		36,940				73,232
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 13,327,173</u>	<u>\$ 2,622,900</u>	<u>\$ (919,418)</u>	<u>\$ (5,200,000)</u>	<u>\$ 2,289</u>	<u>\$ (4,232)</u>	<u>\$ 9,828,712</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF JUSTICE  
SCHEDULE OF TOTAL REVENUES & TRANSFERS-IN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

	<u>General Fund</u>	<u>State Special Revenue Fund</u>	<u>Federal Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>	<u>Total</u>
<b>TOTAL REVENUES &amp; TRANSFERS-IN BY CLASS</b>							
Licenses and Permits	\$ 104,229,100	\$ 6,209,754			\$ (800)		\$ 110,438,054
Taxes	45,707,936	26,521	\$ 1,246		175	\$ 87	45,735,965
Charges for Services	2,917,203	1,357,800	1,639			1,163,306	5,439,948
Investment Earnings		20,531,928	12,645				20,544,573
Fines, Forfeits and Settlements	18,922,607	26,503					18,949,110
Sale of Documents, Merchandise and Property	278,694						278,694
Miscellaneous	244,397	111,493					355,890
Other Financing Sources		224,642	7,352	\$ 891,764			1,123,758
Federal			17,198,711				17,198,711
Federal Indirect Cost Recoveries	75,407						75,407
Total Revenues & Transfers-In	<u>172,375,344</u>	<u>28,488,641</u>	<u>17,221,593</u>	<u>891,764</u>	<u>(625)</u>	<u>1,163,393</u>	<u>220,140,110</u>
Less: Nonbudgeted Revenues & Transfers-In	2,604	21,373,907	7,033		175	87	21,383,806
Prior Year Revenues & Transfers-In Adjustments	<u>(1,064,860)</u>	<u>14,319</u>	<u>57,713</u>			<u>469</u>	<u>(992,359)</u>
Actual Budgeted Revenues & Transfers-In	<u>173,437,600</u>	<u>7,100,415</u>	<u>17,156,847</u>	<u>891,764</u>	<u>(800)</u>	<u>1,162,837</u>	<u>199,748,663</u>
Estimated Revenues & Transfers-In	<u>166,790,762</u>	<u>7,320,817</u>	<u>29,450,254</u>	<u>1,000,000</u>		<u>1,300,000</u>	<u>205,861,833</u>
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 6,646,838</u>	<u>\$ (220,402)</u>	<u>\$ (12,293,407)</u>	<u>\$ (108,236)</u>	<u>\$ (800)</u>	<u>\$ (137,163)</u>	<u>\$ (6,113,170)</u>
<b>BUDGETED REVENUES &amp; TRANSFERS-IN OVER (UNDER) ESTIMATED BY CLASS</b>							
Licenses and Permits	\$ 5,676,175	\$ (125,003)			\$ (800)		\$ 5,550,372
Taxes	794,025	(2,747)					791,278
Charges for Services	9,182	(2,659)	\$ (361)			\$ (137,163)	(131,001)
Investment Earnings			(42,555)				(42,555)
Fines, Forfeits and Settlements	214,657	(17,690)					196,967
Sale of Documents, Merchandise and Property	27,798						27,798
Miscellaneous	(89,406)	(579)					(89,985)
Other Financing Sources	(1,000)	(71,724)		\$ (108,236)			(180,960)
Federal			(12,250,491)				(12,250,491)
Federal Indirect Cost Recoveries	15,407						15,407
Budgeted Revenues & Transfers-In Over (Under) Estimated	<u>\$ 6,646,838</u>	<u>\$ (220,402)</u>	<u>\$ (12,293,407)</u>	<u>\$ (108,236)</u>	<u>\$ (800)</u>	<u>\$ (137,163)</u>	<u>\$ (6,113,170)</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

**DEPARTMENT OF JUSTICE**  
**SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	AGENCY LEGAL SERVICES	CENTRAL SERVICES DIVISION	COUNTY ATTORNEY PAYROLL	DIVISION OF CRIMINAL INVESTIGATION	FORENSIC SCIENCE DIVISION	GAMBLING CONTROL DIVISION	HIGHWAY PATROL DIVISION	INFORMATION TECHNOLOGY SERVICES DIVISION	LEGAL SERVICES DIVISION	MOTOR VEHICLE DIVISION	JUSTICE SYSTEMS SUPPORT SERVICES	TOTAL
<b>Personal Services</b>												
Salaries	\$ 708,402	\$ 901,673	\$ 1,506,909	\$ 2,480,302	\$ 1,262,566	\$ 1,566,277	\$ 9,727,571	\$ 1,752,427	\$ 2,500,827	\$ 3,555,201	\$ 633,899	\$ 26,596,054
Other Compensation							350	190			1,675	2,215
Employee Benefits	192,078	152,222	232,825	880,887	329,940	567,694	4,869,068	497,941	659,922	1,230,792	182,300	9,795,669
Personal Services-Other	(6,761)					32,498						25,737
<b>Total</b>	<b>893,719</b>	<b>1,053,895</b>	<b>1,739,734</b>	<b>3,361,189</b>	<b>1,592,506</b>	<b>2,166,469</b>	<b>14,596,989</b>	<b>2,250,558</b>	<b>3,160,749</b>	<b>4,785,993</b>	<b>817,874</b>	<b>36,419,675</b>
<b>Operating Expenses</b>												
Other Services	129,243	65,122		1,074,503	102,037	143,864	2,054,252	3,162,837	3,275,822	2,542,017	265,072	12,814,769
Supplies & Materials	12,209	20,258		407,224	308,079	61,881	1,567,971	443,614	79,953	458,962	30,517	3,390,668
Communications	17,790	8,906		111,505	29,454	69,238	315,251	36,327	89,194	699,985	34,727	1,412,377
Travel	4,276	3,456		168,235	44,989	48,838	484,510	162,597	92,205	67,252	54,083	1,130,441
Rent	56,407	48,915		237,740	534,391	180,523	331,152	160,204	174,279	439,817	77,725	2,241,153
Utilities				80,902	18,396	21	7,933	492		20,546		128,290
Repair & Maintenance	3,300	3,223		102,318	55,868	27,425	450,127	130,939	17,900	132,712	75	923,887
Other Expenses	11,088	8,432		151,374	37,344	17,557	166,464	55,169	111,549	33,840	27,523	620,340
<b>Total</b>	<b>234,313</b>	<b>158,312</b>		<b>2,333,801</b>	<b>1,130,558</b>	<b>549,347</b>	<b>5,377,660</b>	<b>4,152,179</b>	<b>3,840,902</b>	<b>4,395,131</b>	<b>489,722</b>	<b>22,661,925</b>
<b>Equipment &amp; Intangible Assets</b>												
Equipment				145,739	303,300	85,062	1,398,551	132,986		36,616	15,765	2,118,019
Intangible Assets									(33,750)			(33,750)
Installment Purchases-Equip-Nb				40,856								40,856
<b>Total</b>				<b>186,595</b>	<b>303,300</b>	<b>85,062</b>	<b>1,398,551</b>	<b>132,986</b>	<b>(33,750)</b>	<b>36,616</b>	<b>15,765</b>	<b>2,125,125</b>
<b>Grants</b>												
From State Sources											8,191	8,191
From Federal Sources											9,195,639	9,195,639
<b>Total</b>											<b>9,203,830</b>	<b>9,203,830</b>
<b>Local Assistance</b>												
From State Sources						1,944,892						1,944,892
From Federal Sources				63,130			512,776					575,906
<b>Total</b>				<b>63,130</b>		<b>1,944,892</b>	<b>512,776</b>					<b>2,520,798</b>
<b>Benefits &amp; Claims</b>												
To Individuals									893,435			893,435
<b>Total</b>									<b>893,435</b>			<b>893,435</b>
<b>Transfers</b>												
Accounting Entity Transfers									362,695	2,835,384		3,198,079
<b>Total</b>									<b>362,695</b>	<b>2,835,384</b>		<b>3,198,079</b>
<b>Debt Service</b>												
Loans				7,205					27,929	105,804		140,938
Installment Purchases				15,173	4,566	4,302				157,578		181,619
<b>Total</b>				<b>22,378</b>	<b>4,566</b>	<b>4,302</b>			<b>27,929</b>	<b>263,382</b>		<b>322,557</b>
<b>Total Expenditures &amp; Transfers-Out</b>	<b>\$ 1,128,032</b>	<b>\$ 1,212,207</b>	<b>\$ 1,739,734</b>	<b>\$ 5,967,093</b>	<b>\$ 3,030,930</b>	<b>\$ 4,750,072</b>	<b>\$ 21,885,976</b>	<b>\$ 6,535,723</b>	<b>\$ 8,251,960</b>	<b>\$ 12,316,506</b>	<b>\$ 10,527,191</b>	<b>\$ 77,345,424</b>
<b>EXPENDITURES &amp; TRANSFERS-OUT BY FUND</b>												
General Fund		\$ 401,863	\$ 1,739,734	\$ 2,633,544	\$ 2,288,854	\$ 973	\$ 116,934	\$ 3,018,179	\$ 3,677,994	\$ 5,071,183	\$ 1,627,262	\$ 20,576,520
State Special Revenue Fund		768,642		914,182	303,204	3,932,421	19,606,687	1,063,271	3,243,554	6,711,984		36,543,945
Federal Special Revenue Fund		22,368		2,419,367	438,872		2,162,355	210,135	1,330,412	328,224	8,899,929	15,811,662
Capital Projects Fund								2,237,617		205,115		2,442,732
Enterprise Fund		3,679				816,678						820,357
Internal Service Fund	\$ 1,128,032	15,655						6,521				1,150,208
<b>Total Expenditures &amp; Transfers-Out</b>	<b>1,128,032</b>	<b>1,212,207</b>	<b>1,739,734</b>	<b>5,967,093</b>	<b>3,030,930</b>	<b>4,750,072</b>	<b>21,885,976</b>	<b>6,535,723</b>	<b>8,251,960</b>	<b>12,316,506</b>	<b>10,527,191</b>	<b>77,345,424</b>
Less: Nonbudgeted Expenditures & Transfers-Out	143,919			42,361		98,531			2,728,245	3,112,264	4,511	6,129,831
Prior Year Expenditures & Transfers-Out Adjustments	(140,701)			(6,321)	(191)	(65,393)	161,851	(4,940)	(48,126)	586	2,828	(100,407)
<b>Actual Budgeted Expenditures &amp; Transfers-Out</b>	<b>1,124,814</b>	<b>1,212,207</b>	<b>1,739,734</b>	<b>5,931,053</b>	<b>3,031,122</b>	<b>4,716,934</b>	<b>21,724,125</b>	<b>6,540,663</b>	<b>5,571,841</b>	<b>9,203,656</b>	<b>10,519,852</b>	<b>71,315,000</b>
Budget Authority	1,306,743	1,975,755	1,740,350	7,285,587	3,131,332	6,100,174	25,245,356	24,171,517	5,963,330	16,357,546	15,826,659	109,104,349
Unspent Budget Authority	\$ 181,929	\$ 763,548	\$ 616	\$ 1,354,534	\$ 100,211	\$ 1,383,240	\$ 3,521,231	\$ 17,630,854	\$ 391,489	\$ 7,153,890	\$ 5,306,807	\$ 37,788,349
<b>UNSPENT BUDGET AUTHORITY BY FUND</b>												
General Fund		\$ 214,988	\$ 616	\$ 69,023	\$ 7,041			\$ 164,079	\$ 32,252	\$ 156,804	\$ 14,286	\$ 659,089
State Special Revenue Fund		445,203		515,270		\$ 1,380,882	\$ 1,215,343	51,792	215,093	5,699,571	200,000	9,723,154
Federal Special Revenue Fund		102,631		770,241	93,170		2,305,888	463,328	144,144	502,630	5,092,521	9,474,553
Capital Projects Fund								16,951,655		794,885		17,746,540
Enterprise Fund						2,358						2,358
Internal Service Fund	\$ 181,929	726										182,655
Unspent Budget Authority	\$ 181,929	\$ 763,548	\$ 616	\$ 1,354,534	\$ 100,211	\$ 1,383,240	\$ 3,521,231	\$ 17,630,854	\$ 391,489	\$ 7,153,890	\$ 5,306,807	\$ 37,788,349

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

DEPARTMENT OF JUSTICE  
SCHEDULE OF TOTAL EXPENDITURES & TRANSFERS-OUT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2003

PROGRAM (ORG) EXPENDITURES & TRANSFERS-OUT	AGENCY LEGAL SERVICES	CENTRAL SERVICES DIVISION	COUNTY ATTORNEY PAYROLL	DIVISION OF CRIMINAL INVESTIGATION	FORENSIC SCIENCE DIVISION	GAMBLING CONTROL DIVISION	HIGHWAY PATROL DIVISION	INFORMATION TECHNOLOGY SERVICES DIVISION	LEGAL SERVICES DIVISION	MOTOR VEHICLE DIVISION	JUSTICE SYSTEMS SUPPORT SERVICES	TOTAL
Personal Services												
Salaries	\$ 774,089	\$ 647,467	\$ 1,450,198	\$ 2,837,022	\$ 1,169,963	\$ 1,541,182	\$ 9,706,269	\$ 1,723,154	\$ 2,382,960	\$ 3,542,351	\$ 641,071	\$ 26,415,726
Other Compensation						862			287		1,700	2,849
Employee Benefits	191,908	152,521	223,330	845,729	287,388	439,174	3,836,595	471,806	590,568	1,146,341	171,867	8,357,227
Personal Services-Other	8,490					(4,278)						4,212
Total	<u>974,487</u>	<u>799,988</u>	<u>1,673,528</u>	<u>3,682,751</u>	<u>1,457,351</u>	<u>1,976,940</u>	<u>13,542,864</u>	<u>2,194,960</u>	<u>2,973,815</u>	<u>4,688,692</u>	<u>814,638</u>	<u>34,780,014</u>
Operating Expenses												
Other Services	135,198	274,793		825,518	84,249	79,893	1,293,996	1,554,771	2,657,968	2,390,402	229,345	9,526,133
Supplies & Materials	10,887	17,071		405,377	268,909	36,060	1,494,357	256,920	54,013	387,859	13,230	2,944,683
Communications	17,696	9,972		129,367	28,486	70,960	273,639	98,357	62,390	546,633	25,061	1,262,561
Travel	11,124	2,912		137,385	26,589	51,016	522,913	22,635	85,601	57,996	65,713	983,884
Rent	54,521	103,594		196,746	504,623	183,550	318,536	79,691	149,720	494,253	85,941	2,171,175
Utilities				16,660	8,630	112	8,630			18,298		109,494
Repair & Maintenance	5,270	2,252		100,637	41,252	24,568	444,674	27,554	53,951	80,970	75	781,203
Other Expenses	13,411	27,306		154,021	25,236	21,603	177,186	57,213	132,615	50,067	26,229	684,887
Total	<u>248,107</u>	<u>437,900</u>		<u>2,014,845</u>	<u>996,004</u>	<u>467,762</u>	<u>4,533,931</u>	<u>2,097,141</u>	<u>3,196,258</u>	<u>4,026,478</u>	<u>445,594</u>	<u>18,464,020</u>
Equipment & Intangible Assets												
Equipment		126,862		242,313	346,201	48,414	1,563,367	44,820			8,827	2,380,804
Capital Leases-Equipment-Nonbu				5,964		12,976						18,940
Intangible Assets							145,282		33,750			179,032
Total		<u>126,862</u>		<u>248,277</u>	<u>346,201</u>	<u>61,390</u>	<u>1,708,649</u>	<u>44,820</u>	<u>33,750</u>		<u>8,827</u>	<u>2,578,776</u>
Capital Outlay												
Land & Interest In Land									1,999,819			1,999,819
Total									<u>1,999,819</u>			<u>1,999,819</u>
Local Assistance												
From State Sources				99,531		1,870,064	3,261,443					5,231,038
Total				<u>99,531</u>		<u>1,870,064</u>	<u>3,261,443</u>					<u>5,231,038</u>
Grants												
From Federal Sources											9,314,597	9,314,597
Total											<u>9,314,597</u>	<u>9,314,597</u>
Benefits & Claims												
To Individuals									754,289			754,289
Total									<u>754,289</u>			<u>754,289</u>
Transfers												
Accounting Entity Transfers							797,555		466,818	37,083		1,301,456
Total							<u>797,555</u>		<u>466,818</u>	<u>37,083</u>		<u>1,301,456</u>
Debt Service												
Bonds				57,875								57,875
Loans										117,847		117,847
Installment Purchases				21,554	4,566	2,061		438,232	416	21,245		488,074
Total				<u>79,429</u>	<u>4,566</u>	<u>2,061</u>		<u>438,232</u>	<u>416</u>	<u>139,092</u>		<u>663,796</u>
Total Expenditures & Transfers-Out	\$ <u>1,222,594</u>	\$ <u>1,364,750</u>	\$ <u>1,673,528</u>	\$ <u>6,124,833</u>	\$ <u>2,804,122</u>	\$ <u>4,378,217</u>	\$ <u>23,844,442</u>	\$ <u>4,775,153</u>	\$ <u>9,425,165</u>	\$ <u>8,891,345</u>	\$ <u>10,583,656</u>	\$ <u>75,087,805</u>
EXPENDITURES & TRANSFERS-OUT BY FUND												
General Fund		\$ 416,391	\$ 1,673,528	\$ 3,271,681	\$ 2,071,031	\$ (6,534)	\$ 643,563	\$ 2,854,999	\$ 3,439,127	\$ 1,325,823	\$ 1,635,249	\$ 17,324,858
State Special Revenue Fund		679,369		476,239	303,205	3,655,034	18,796,883	653,050	5,529,428	7,258,996		37,352,204
Federal Special Revenue Fund		254,785		2,376,913	429,886		4,403,996	258,523	456,610	306,526	8,948,407	17,435,646
Capital Projects Fund								1,002,061				1,002,061
Enterprise Fund						729,717						729,717
Internal Service Fund	\$ 1,222,594	14,205						6,520				1,243,319
Total Expenditures & Transfers-Out	<u>1,222,594</u>	<u>1,364,750</u>	<u>1,673,528</u>	<u>6,124,833</u>	<u>2,804,122</u>	<u>4,378,217</u>	<u>23,844,442</u>	<u>4,775,153</u>	<u>9,425,165</u>	<u>8,891,345</u>	<u>10,583,656</u>	<u>75,087,805</u>
Less: Nonbudgeted Expenditures & Transfers-Out	150,680			8,964	79,009	795,548		4,888,516		92,973		6,015,690
Prior Year Expenditures & Transfers-Out Adjustments	(142,006)	5	2,903	(2,451)	1,773	(460,502)	16,606	(8,360)	3,772	(365)	(870)	(589,495)
Actual Budgeted Expenditures & Transfers-Out	<u>1,213,920</u>	<u>1,364,745</u>	<u>1,670,625</u>	<u>6,118,320</u>	<u>2,802,349</u>	<u>4,759,710</u>	<u>23,032,288</u>	<u>4,783,513</u>	<u>4,532,877</u>	<u>8,798,737</u>	<u>10,584,526</u>	<u>69,661,610</u>
Budget Authority	1,329,808	1,859,930	1,674,855	7,814,539	3,101,330	9,454,381	28,172,117	7,710,444	5,570,627	10,721,516	14,575,785	91,985,332
Unspent Budget Authority	\$ <u>115,888</u>	\$ <u>495,185</u>	\$ <u>4,230</u>	\$ <u>1,696,219</u>	\$ <u>298,981</u>	\$ <u>4,694,671</u>	\$ <u>5,139,829</u>	\$ <u>2,926,931</u>	\$ <u>1,037,750</u>	\$ <u>1,922,779</u>	\$ <u>3,991,259</u>	\$ <u>22,323,722</u>
UNSPENT BUDGET AUTHORITY BY FUND												
General Fund		\$ 58,721	\$ 4,230	\$ 21,472	\$ 22,493	\$ 9,824	\$ 499,210	\$ 24,375	\$ 108,406	\$ 424,999	\$ 187,987	\$ 1,361,717
State Special Revenue Fund		390,615		89,603		4,658,861	2,077,353	28,900	603,449	911,809	200,000	8,960,590
Federal Special Revenue Fund		45,849		1,585,144	276,488		2,563,266	680,704	325,895	585,971	3,603,272	9,666,589
Capital Projects Fund								2,189,273				2,189,273
Enterprise Fund						25,986						25,986
Internal Service Fund	\$ 115,888							3,679				119,567
Unspent Budget Authority	\$ <u>115,888</u>	\$ <u>495,185</u>	\$ <u>4,230</u>	\$ <u>1,696,219</u>	\$ <u>298,981</u>	\$ <u>4,694,671</u>	\$ <u>5,139,829</u>	\$ <u>2,926,931</u>	\$ <u>1,037,750</u>	\$ <u>1,922,779</u>	\$ <u>3,991,259</u>	\$ <u>22,323,722</u>

This schedule is prepared from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) without adjustment. Additional information is provided in the notes to the financial schedules beginning on page A-11.

# Notes to the Financial Schedules

## For the Two Fiscal Years Ended June 30, 2004

---

### 1. Summary of Significant Accounting Policies

---

#### Basis of Accounting

The Department of Justice (Department) uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental fund category (General, State Special Revenue, Federal Special Revenue and Capital Projects). In applying the modified accrual basis, the Department records:

Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.

Expenditures for valid obligations when the Department incurs the related liability and it is measurable, with the exception of the cost of employees' annual and sick leave. State accounting policy requires the Department to record the cost of employees' annual leave and sick leave when used or paid.

The Department uses accrual basis accounting for its Proprietary (Enterprise and Internal Service) fund categories. Under the accrual basis, as defined by state accounting policy, the Department records revenues in the accounting period earned when measurable, and records expenses in the period incurred, when measurable.

Expenditures and expenses may include: entire budgeted service contracts even though the Department receives the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

---

#### Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the transactions posted to the state's accounting system without adjustment.

## Notes to the Financial Schedules

---

Department accounts are organized in funds according to state law applicable at the time transactions were recorded. The Department uses the following funds:

### Governmental Fund Category

**General Fund** - to account for all financial resources except those required to be accounted for in another fund.

**State Special Revenue Fund** - to account for proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. Department State Special Revenue funds account for Highway Patrol operations, collections of gambling license revenues, and the Natural Resources Damage Litigation Program. The Montana Law Enforcement Academy surcharge implemented July 1, 2003, is also contained in the State Special Revenue Fund.

**Federal Special Revenue Fund** - to account for money received from federal sources used for the operation of state government.

**Capital Projects Fund** - to account for financial resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds or trust funds. The Department uses this fund to account for the costs related to developing the information technology system authorized by Chapter 394, Laws of 2001, and Chapter 562, Laws of 2003, related to the production and maintenance of motor vehicle title and registration records and drivers' license records.

### Proprietary Fund Category

**Internal Service Fund** - to account for the financing of goods or services provided by one department or agency to other departments or agencies of state government or to other governmental entities on a cost-reimbursement basis. The Department Internal Service Fund is for the Agency Legal Services Bureau, which provides requested legal services for other state agencies and bankruptcy collections.

**Enterprise Fund** - to account for operations (a) financed and operated in a manner similar to private business enterprises, where

the Legislature intends that the Department finance or recover costs primarily through user charges; or (b) where the Legislature has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. A portion of the Gambling Control Division's operations is financed through appropriations from the Department of Revenue's Liquor Enterprise Fund.

---

### 2. **General Fund Balance**

Each agency has authority to pay obligations from the statewide General Fund within its appropriation limits. The Department's total assets placed in the fund exceed outstanding liabilities, resulting in positive ending General Fund balances for each of the two fiscal years ended June 30, 2004, and June 30, 2003. These balances reflect activity at the Department and not the fund balance of the statewide General Fund.

---

### 3. **Direct Entries to Fund Balance**

Direct entries to fund balances in the General, State Special Revenue, Federal Special Revenue and Enterprise funds include entries generated by SABHRS to reflect the flow of resources within individual funds shared by separate agencies.

---

### 4. **Tobacco Settlement**

State law required the Department to deposit 60 percent of the tobacco settlement money received in the General Fund in fiscal year 2002-03 and 11 percent in fiscal year 2003-04. The Department recorded settlement payments totaling \$18.6 and \$2.9 million as settlements in the General Fund in fiscal years 2002-03 and 2003-04, respectively. Between July 1, 2003 and June 30, 2005, the funds are to be distributed as follows: 40 percent in the Tobacco Settlement Trust Fund, 32 percent to the State Special Revenue Fund for a Prevention program, 17 percent to the State Special Revenue Fund as matching funds for the Children's Health Insurance Program, and 11 percent to the General Fund. Ongoing payments began in April 2000 and will continue as long as the settling companies sell tobacco products provided the agreement is not affected by future litigation.

## Notes to the Financial Schedules

---

### 5. Contingent Liabilities

In Babinecz, et al. v. Montana Highway Patrol, (MHP) 16 Highway Patrol officers brought an administrative wage claim before the Department of Labor and Industry seeking overtime hours. On April 24, 2003, the Montana Supreme Court ruled that the officers are not covered by the Fair Labor Standards Act (FLSA) and are therefore entitled to pursue their claims under Montana law. This ruling changes the basis for overtime compensation from 170 hours in a 28-day period. A hearing on damages is scheduled for October 25, 2004. It is likely that substantial overtime (at least several thousand dollars per officer) will be due if overtime is calculated based upon a 40-hour work week.

The Babinecz plaintiffs are also included within a class certified by Judge McCarter in Swingley, et al. v. Montana Highway Patrol. In that case, the court held that there was a waiver of sovereign immunity and, therefore, the FLSA applies. Depending upon the size of the class as defined by the court, the State's potential exposure is \$9 - \$20 million.

# **Department Response**

---



**ATTORNEY GENERAL**  
**STATE OF MONTANA**



**Mike McGrath**  
**Attorney General**

**Department of Justice**  
**215 North Sanders**  
**PO Box 201401**  
**Helena, MT 59620-1401**

September 22, 2004

Mr. Jim Gillett  
Deputy Legislative Auditor  
Legislative Audit Division  
P O Box 201705  
Helena, MT 59620-1705

**RECEIVED**

**SEP 24 2004**

**LEGISLATIVE AUDIT DIV.**

Dear Jim:

The staff of the Department of Justice and the staff of the Board of Crime Control wish to express our appreciation for the manner in which your staff conducted the Financial Compliance Audit. Your willingness to schedule around our staffs' busy work schedules was important to our operation. We appreciate the audit function for the review it provides us and allows us to make compliance changes to conform to State laws and Generally Accepted Accounting Principles. The audit also provides an opportunity for us to share with your staff how the two agencies function, and hopefully, this information can be used when questions are asked of your division about the Department of Justice and the Board of Crime Control.

Following are the responses of the Department of Justice and the Board of Crime Control to the audit recommendations presented in your audit report covering fiscal years 2003 and 2004.

**Recommendation #1**

**We recommend the department:**

- A. Work with the appropriate agencies and the counties to properly record the fiscal year 2004 MLEA Surcharge revenues.**
- B. Provide training and guidance to the county treasurers and courts to ensure proper recording and transferring of MLEA revenues in the future.**
- C. Contact the other 41 counties not tested to determine the proper MLEA Surcharge revenues were collected for fiscal year 2004.**

The Department concurs. Letters have been sent to the county treasurers and courts providing guidance on the surcharge. Justice has also worked with the other State agencies to properly record the MLEA surcharge revenues.

**Recommendation #2**

**We recommend the Department ensure all State and Community Highway Safety grant expenditures are allowable per the grant agreement and federal regulations.**

We concur. The Montana Highway Patrol Division (MHP) operated within the guidelines provided by the grantor – Department of Transportation. MHP notified the grantor of its expenses and purchases and provided documentation to the grantor. In the future, the Department will ensure that written direction and guidelines be provided by the grantor and the Department will operate within the guidelines provided.

**Recommendation #3**

**We recommend the Department continue to take measures to decrease the negative Internal Service Fund balance, and to ensure that fees are commensurate with costs as required by State law.**

We concur. Recruitment has been a problem in the bureau. The Department continues to monitor the financial activities of the program. Our budget request addresses and corrects this recommendation.

**Recommendation #4**

**We recommend the Department record expenditures according to state law.**

We concur. The Department of Justice and the Board of Crime Control have continually strived to properly reflect financial transactions in accordance with state law. Through additional training, oversight, communication, and review the proper codes will be used in the future.

Sincerely yours,



MIKE MCGRATH  
Attorney General